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TAGS: [ETRD](#) [ECON](#) [TW](#)
SUBJECT: AMCHAM DISAPPOINTED IN TAIWAN'S FTA VIEWS

REF: A. TAIPEI 774

[1](#)B. TAIPEI 900

Classified By: AIT Deputy Director David Keegan, Reason 1.4 b

[1](#)1. (SBU) Summary: Following a March 17 meeting with Taiwan Minister without Portfolio Ho Mei-yueh, Taipei American Chamber of Commerce (AmCham) representatives expressed disappointment that Ho advocated strongly for a US/Taiwan FTA but was unable to offer specifics on an FTA's economic benefits. Taiwan government officials continue to push for an FTA but remain unprepared to make a strong economic case for such an agreement. End Summary.

[1](#)2. (SBU) Taipei's American Chamber of Commerce (AmCham) representatives met March 17 with Taiwan Minister without Portfolio Ho Mei-yueh to discuss Taiwan's desire to enter into negotiations with the U.S. on a Free Trade Agreement (FTA). The meeting was requested by AmCham members who were intrigued by recent reports that Taiwan had recommenced its aggressive FTA push. However, participants said they were disappointed that the Minister did not offer more specifics on Taiwan's views of an FTA's economic cost and potential benefit to both sides.

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Taiwan Addicted to Trade with China
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[1](#)3. (SBU) According to AmCham staff and members present in the briefing, Minister Ho began by lamenting Taiwan's growing reliance on trade with China. The mainland has become Taiwan's largest trading partner and is Taiwan's leading export destination. In 2005, China (including Hong Kong) accounted for 38% of Taiwan's exports and 25% of Taiwan's total trade. In the second half of 2005, China surpassed the U.S. to become Taiwan's second largest source of imports after Japan. Over 70% of Taiwan's overseas investment reportedly ends up in China.

[1](#)4. (SBU) Ho expressed her concern that Taiwan is becoming increasingly dependent on trade with China and that such dependence would make it difficult for Taiwan to resist Chinese economic and political pressure. She suggested that an FTA with the U.S. was the Taiwan administration's top economic priority and would enable Taiwan authorities to

counter the tilt towards China and help Taiwan to maintain its ability to resist Chinese bullying. Ho was also concerned that recent announcement of the commencement of FTA negotiations with Korea and Malaysia would put Taiwan at a comparative disadvantage, especially in the export of TFT-LCD screens.

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FTA: Politics or Economics?
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15. (SBU) According to AmCham staff, members asked Ho if the Taiwan government had prepared any study or research that outlined the economic benefits for each side. Ho replied affirmatively, but then called Ministry of Economic Affairs Deputy Minister Steve Chen (Ruey-long) on her mobile phone to provide the details. Chen referred AmCham to the well-known Institute for International Economics (IIE) study conducted by Nicholas Lardy and Daniel Rosen published in 2003. When asked which areas the Taiwan government would be willing to open, Ho vaguely suggested the services sector would be of interest to many U.S. firms. In response to a question about agricultural trade liberalization, Ho responded that it was politically difficult but that the government would do what it could to placate farmers if an FTA was in the offing and suggested that Vice Premier Tsai Ying-wen was the point-person for the FTA initiative and was better informed about the government's plans.

16. (SBU) AmCham participants described the meeting as disappointing and discouraging and criticized the Taiwan government's clear lack of adequate preparation. One attendee contrasted the Taiwan presentation with what he had heard from colleagues in Korea who had lauded the Korean government's presentation to business groups there outlining the pros and cons of an FTA with the U.S., as well as specific sectors that Korea would put on the table during negotiations. Taiwan, he said, is clearly focused on the perceived political costs and benefits and doesn't seem to be ready to consider economic issues.

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Comment: Lack of Preparedness Reflects Lack of Commitment
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17. (C) Ho's presentation to the AmCham largely paralleled her earlier presentation to the AIT Deputy Director Keegan (ref A). The recent push by high-ranking Taiwan economic officials for an FTA does not appear to be well-coordinated. Neither President Chen nor Premier Su raised an FTA with Director Young in his courtesy calls March 21 and 22. In spite of Ho's suggestion that Vice Premier Tsai was best informed about the government's FTA position, the topic did not come up in the Director's March 28 courtesy call with Tsai. Ho's lack of preparation mirrors that of other

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economic officials who have clearly been instructed to raise FTA negotiations but have done nothing new to prepare to make the economic case to U.S. business -- in spite of AIT's repeated admonishments that an FTA would need strong support from U.S. companies to reach a successful conclusion. Ho and MOEA Deputy Minister Chen are two of Taiwan's strongest economic technocrats. Their lack of preparation suggests that Taiwan's push for an FTA remains primarily a means to political rather than economic ends (ref B). The failure of President Chen, Premier Su, and Vice Premier Tsai to include an FTA in their discussions with Director Young may indicate that the top leadership is not yet fully committed to the FTA strategy. End Comment.
YOUNG